

Almighty Agrotech Private Limited

September 23, 2020

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	7.36	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; based best available information
Total	7.36 (Rupees Seven Crore and Thirty six lakh Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Almighty Agrotech Private Limited (AAPL) to monitor the ratings vide e-mail communications/letters dated June 08, 2020, July 06, 2020, August 06, 2020, August 28, 2020, September 02, 2020, September 09, 2020, September 11, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on AAPL's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facilities of AAPL continues to be constrained on account of its moderate profit margins and deterioration in capital structure as well as debt coverage indicators and elongation in operating cycle in FY19 (refers to the period April 01, 2018 to March 31, 2019). The rating also continues to remain constrained due to its presence in highly fragmented engineering industry and profit margins susceptible to raw material price fluctuation.

The rating, however, derives comfort from experience of directors and growth in income, though with a modest scale of operations.

Detailed description of the key rating drivers

At the time of last rating on September 09, 2019 the following were the rating strengths and weaknesses (updated for the information shared by AAPL):

Key Rating Weaknesses

Moderate profit margins

During FY19, Profit margins remained moderate. During FY19 (A), PBILDT Margin improved marginally mainly due to decrease in power and fuel cost with other administrative expense, but remained moderate at 9.45% as against 8.78% in FY18.

Further, on account of increase in interest and finance cost on account avilment of additional working capital funding to procure raw material to cater anticipated demand from their new branches located in Pune and Bangalore, PAT Margin declined by 213 bps and remained low at 1.80% during FY19 as against 3.93% during FY18. Gross Cash Accruals (GCA) of the company also remained low at Rs. 0.71 crore during FY19 as against Rs.0.66 crore during FY18.

Deterioration in capital structure as well as debt coverage indicators and elongated operating cycle in FY19

On the back of increased total debt level in form of working capital borrowing as well as unsecured loan as on March 31, 2019, capital structure of AAPL deteriorated and remained leveraged marked by overall gearing ratio of 3.48x as on March 31, 2019 as against 1.79x as on March 31, 2018.

Further, as a result of increase in debt level, debt coverage indicators also deteriorated and remained modest marked by interest coverage ratio and total debt to GCA ratio which stood at 2.26x and 11.26 years as on March 31, 2019 as against 2.53x and 5.51 years as on March 31, 2018.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer not cooperating; based on best available information

Further, during FY19, operating cycle of AAPL has elongated and remained at 178 days as against 95 days during FY18 owing to increase in inventory period as a result of increase in inventory as on balance sheet date, as AAPL has procured higher inventory to meet expected increase in demand as a result of expansion of its geographical reach. As per banker interaction, AAPL has not availed moratorium benefit for its bank facilities.

Presence in highly fragmented engineering industry

AAPL is engaged in manufacturing of plant protection equipment and is exposed to high fragmentation in the engineering goods industry, which has numerous players at the bottom of the value chain due to low entry barriers, low capital and technology requirements. Further low lead time for setting up a new plant and the lack of product differentiation reduces the entry barriers for new entrants resulting in overcapacity in industry.

Profit margins susceptible to raw material price fluctuation

Profit margins of AAPL remain susceptible to changes in its primary raw material i.e. engine parts of iron, brass and other machinery parts. Any adverse change in these material prices would affect profitability of AAPL.

Key Rating Strengths

Experienced directors

AAPL was promoted in 1977 by Bhalani family and currently it has being run by Mr. Maheshkumar Bhalani, Mr. Jamanbhai Bhalani, Mr. Dharmeshkumar Bhalani, Mr.Pareshkumar Bhalani, Mrs. Sheetalben Bhalani, Mrs. Hetalben Bhalani and Mrs. Chandrikaben Bhalani. All promoters have an average experience of more than three decades in manufacturing of plant protection equipment.

Consistent growth in income albeit scale of operations remain modest

During FY19, AAPL has reported further increase in its Total Operating Income (TOI) primarily due to addition of new customers in company's portfolio. However it remained modest at Rs.14.02 crore as compared to Rs.13.58 crore during FY18 (FY17:Rs.10.44 crore). As per banker interaction, moratorium benefit has not been availed by company.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning outlook to credit rating](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial Ratios- Non Financial Sector](#)

About the Company

Rajkot- Gujarat based AAPL was established as a partnership firm in 1977 by Bhalani family which has been subsequently converted to private limited company in the year 2007. AAPL is managed by Mr. Maheshkumar Bhalani, Mr. Jamanbhai Bhalani, Mr. Dharmeshkumar Bhalani, Mr.Pareshkumar Bhalani, Mrs. Sheetalben Bhalani, Mrs. Hetalben Bhalani and Mrs. Chandrikaben Bhalani.

AAPL is engaged in the business of manufacturing of Plant Protection Equipments since its inception. AAPL is selling its products under brand name of 'Alap' and 'Milap'. The manufacturing facility is located at Metoda G.I.D.C. with an area of 12,000 Sq. Mt. Land and installed capacity of 450,000 agricultural sprayers. AAPL currently possess in-house facilities for Blow Molding, Fabrication, Heat Treatment, Coating, Welding and Brazing, etc. Also have in-house inspection and testing facilities as per I.S.I. standards.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	13.58	14.02
PBILDT	1.19	1.32
PAT	0.53	0.25
Overall gearing (times)	1.79	3.48
Interest coverage (times)	2.53	2.26

A: Audited

During 5MFY20 (Prov.) (April 2019 to August 2019), AAPL has achieved the TOI of Rs. 6 Crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	5.71	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	September, 2027	1.65	CARE BB-; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Bank Overdraft	LT	5.71	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (09-Sep-19)	1)CARE BB-; Stable (05-Oct-18)	-
2.	Fund-based - LT-Term Loan	LT	1.65	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (09-Sep-19)	1)CARE BB-; Stable (05-Oct-18)	-

**Issuer did not cooperate; Based on best available information*

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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